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The Domain Name Registration .BIZness: Are We Being "Pulled Over" on the Information Super Highway?

by
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I
Abstract

This paper critically analyzes the de facto control over the Domain Name System currently administered by the not-for-profit organization, Internet Corporation for Assigned Names and Numbers ("ICANN"). Specifically, the author addresses the concerns of how ICANN fails to lead in the direction of appropriate Internet governance, and how it directs the Domain Name Registration ("DNR") industry to focus more upon economics, rather than engaging in legitimate issues surrounding trademark disputes created by the DNR.

II
Introduction

The recent precipitous plunge in North American stock markets in relation to e-commerce (now commonly referred to as "dot.com" or "dot.gone") companies has generated serious concern amongst the general public and Internet users regarding the Internet's ultimate revenue-generating potential. As a result of the explosion and subsequent implosion of the technology sector markets coupled with the world's 544 million Internet users[1] makes vocabulary such as "World Wide Web", "e-mail," and "domain names" commonplace and, more importantly, embraced by popular culture.[2] Despite being frequently pointed to by critics as simply a new technological "trend," the Internet, and specifically Internet Domain Name Registration ("DNR") became a large commercialized industry that did not detonate when the stock markets went into decline.[3] In fact,

1. As of February 2002, there were approximately 544.2 million Internet users worldwide. NUA Internet Surveys <http://www.nua.ie/surveys/how_many_online/ index.html> (accessed Apr. 26, 2002).

2. Although popular culture recognizes the Internet, Internet addiction also afflicts many individual users and changes people's lives. For example, Tomer Krissi, a recovering Internet addict from Ramat Gan, Israel, permanently affixed the Internet to himself. Mr. Krissi successfully changed his surname to ".com" as a path towards recovery from the Internet. Israeli law does not forbid the change and it has been duly recognized. *See* Law Times Vol. 12, No. 22, at 24 (June 18, 2001).

3. Milton Mueller, *ICANN and Internet Governance: Sorting through the Debris of 'Self-Regulation,'* vol. 1 no. 6 Info 497, 500 (Dec. 1999). DNR grew from 300 new registrations per month in 1992 to 45,000 per month by late 1995. From 1995 to 1996 the number of registered domains increased from 150,000 to 637,000, with ".com" accounting

registration of domain names (a series of alphanumeric strings separated by periods that is an address and identifier of a computer network connection) is now a thriving, multi-million dollar industry.[4] The total number of domains registered (including the most popular generic Top Level Domains ("gTLDs"), such as designated domain name endings like ".com," ".org," ".net" and country codes ("ccTLDs") worldwide has now reached over 30,900,740.[5] With the addition of two new gTLDs (".biz" and ".info") having already been administered within the Internet's registry system, profits generated in this relatively new industry will be further increased.

Despite the apparent success of the use and registration of domain names and its numerous spin-off businesses,[6] there are serious legal issues facing the management of Internet names and numbers. A contentious relationship between the United States Department of Commerce ("DoC") and the non-profit private California corporation, the Internet Corporation for Assigned Names and Numbers ("ICANN") exists. Through a centralized hierarchical system and its close affiliations with the DoC, ICANN has effectively obtained *de facto* control over Internet Protocol ("IP") address identifiers and the entire infrastructure of the Domain Name System ("DNS")[7] — the system that determines which new gTLDs can be issued and who will administer them (e.g., ".biz" and ".info"). Shying away from any opportunity towards appropriate Internet governance, ICANN directs this industry to focus more on profit margins than combating legitimate legal issues surrounding DNR, such as trademark disputes.[8] Although touted by DoC authorities as having

for 60%. The increase in these numbers can be largely attributed to domain name speculators (or cybersquatters) who register domain names with hopes that the owner of a business with that name will acquire it from them for a fee. With the need to secure an online presence, it is essential that businesses secure an Internet identity for commercial sustenance.

4. Cheryl Mah, *It's All in the Name* <http://dnsindex.com/Guides/name.shtml> (Mar. 2, 2000).

5. DomainStats.com <http://www.domainstats.com/main.html> (accessed Apr. 28, 2002). As of April 28, 2002, the total number of ".com" registrations has reached 21,522,642.

6. For example, in an attempt to alleviate disputes between rightful ownership of domain names, the Uniform Dispute Resolution Policy ("UDRP") was created by the administering body for domain names to deal primarily with conflicts arising between trademark holders and domain name speculators arising from domain name registrations. *See infra* n. 59 and Part V (B) for accompanying text and further discussion.

7. Jonathan Weinberg, *ICANN and the Problem of Legitimacy*, 50 Duke L. J. 187, 189 (Oct. 2000). The DNS has also been referred to as the "root" server.

8. Mueller, *supra* n. 3, at 500.

the consensual support of the "Internet community,"[9] ICANN has been described as having a "Byzantine structure that privilege[s] ... primarily corporate and commercial [interests]."[10]

This paper will critically examine three main issues. Part III describes the intricacies of the DNS, specifically asserting how the DoC and ICANN have privatized "Internet administration" and how ICANN now has the authority to decide what new gTLDs exist and which bodies will administer them. Part IV explores how the DoC and ICANN have indirectly generated a commercialized DNR enterprise that has flourished and burgeoned into new multi-faceted industries, both legitimate and illegitimate. Part V provides a brief analysis on the inadequacies in how the law and dispute resolution have responded to the challenges faced by trademark disputes as a result of DNR. Part V also analyzes what the impending surge of additional gTLDs will mean to legal professionals.

III
Internet Infrastructure and Governance

As users of the Internet, we often take for granted the mechanisms and processes involved. For example, how does an individual user based in Toronto interact and connect with another user based in Tokyo, in real time, within an Internet chat room?[11] To understand the intricacies of the Internet, one must examine the historical processes and complexities through which the DNS, and eventually ICANN, came into existence.[12]

9. "Internet Community" can be defined as a community or organization of people sharing common interests, ideas, and feelings over the Internet.

10. A. Michael Froomkin, *Wrong Turn in Cyberspace: Using ICANN to Route around the APA and the Constitution,* 50 Duke L.J. 17, 71 (Oct. 2000).

11. "Internet Chat Rooms" are a form of real-time electronic communications where participants type their comments within a specific topic-oriented chat group, and those resulting comments are displayed on the screens of all other participants in the same chat room.

12. *See* Mueller, *supra* n. 3.

A. The Domain Name System

To ensure that no duplication of domain names occurs, i.e. that each domain name is unique, the architecture of the Internet relies on an underlying centralized hierarchy.[13] The DNS provides a mechanism to monitor or allocate domain naming,[14] and as seen through the DNS, the Internet "resembles a hierarchical tree."[15] At the top of the tree is a single data file that contains information about the TLDs, known as the "legacy root" or "root zone."[16] The next level, beneath the TLDs, consists of the second level domain names ("SLDs"), which include the actual name assigned by an administrator to the domain name address. This is where individual web browsers send messages to the "root zone" file to resolve an IP address with domain name servers, eventually connecting the end user to the desired web destination.[17]

1. Domain Name Registration

The importance of the uniqueness of a domain name, which determines the hierarchical arrangement assigned to DNR, cannot be overstated. Domain names consist of a two-part hierarchy.[18] The first visible hierarchy contains "conventions" as to domain name naming

13. A. Michael Froomkin, *Habermas@discourse.net: Towards a Critical Theory of Cyberspace* <http://www.discourse.net/ils.pdf> (Sept. 13, 2001).

14. ICANN Watch, *ICANN for Beginners* <http://www.icannwatch.org/ican4beginners.php> (accessed June 18, 2001); Joseph P. Liu, *Legitimacy and Authority in Internet Coordination: A Domain Name Case Study,* 74 Ind. L.J. 587, 590 (Spring 1999).

15. Tim Barkow, *The Domain Name System: Let Your Revolver Do the Walking* <http://www.wired.com/wired/archive/4.09/geek.html> (Sept. 4, 1996).

16. Froomkin, *supra* n. 10, at 39. The legacy root is currently made up of 244 two-letter ccTLDs, and nine three letter gTLDs (".biz" and ".info" have recently been added to the legacy root. Karen Kaplan, *Two New Internet Suffixes Join Dot-Com Crowd,* L.A. Times B3 (June 27, 2001)), and one four letter TLD (.arpa). As further described in Part IV(C)(2) of this note, it is the "control" of the legacy root by both the DoC and ICANN that has caused concern within the Internet community about which gTLDs are made available to the public and who gets to administer them. Various Internet entrepreneurs, such as Leah Gallegos of Atlantic Root Network, have been participating in alternative root systems, which serve as substitutes to ICANN and the current DNS. These alternative root servers allow end users of the Internet to point their computers at different DNS servers that in turn point to different root servers which reference a different set of TLDs. Declan McCullagh, *Is Dot-Biz Really a New Domain?* <http://www.wired.com/news/politics/0,1283,40301,00.html> (Nov. 27, 2000).

17. Barkow, *supra* n. 15. Currently there are thirteen root name servers located throughout the world, each of which lists the IP addresses of the computers containing the zone files for each of the TLDs.

18. Froomkin, *supra* n. 10, at 39.

and allocation.[19] The second invisible level in the hierarchy determines the way domain names are resolved through IP addresses (e.g., 207.70.126.125), which allow information to be sent through various computer networks around the world.[20] It is the domain name address, the visible hierarchy, which has greater mnemonic value (e.g., www.coca-cola.com) among users of the Internet and poses numerous conflicts among trademark owners.[21] Users of the Internet readily interpret a domain name as reflecting the identity of its owner in a peculiar way that postal addresses and telephone numbers do not.[22]

Until recently, a master file, more commonly referred to as a "root," containing all of the registrations in each TLD, was held by a single registry.[23] The purpose of a single registry system was to preserve uniqueness, so that a domain name (e.g., www.coca-cola.com) could not be simultaneously registered by a second user.[24] Today, most users of the Internet seeking to acquire a unique name obtain it from one of ICANN's accredited Registrars or from a country code TLD.[25] The Registrar consults the registry about the availability of the domain name and marks it as registered once the

19. *Id.*

20. Navin Katyal, *Trademark Infringement and Internet Domain Names: An Overview and a Proposal Towards a Geographical Domain Name Registration System*, Vol. 16 No. 1 Mich. Computer Law. 3 (Winter 1999).

21. *Id.* Since ICANN's DNR system is based on a first-come, first-served basis, there may be competing interests in the legitimate registration of a particular domain name. For example, if Company A based in Toronto, has a business with a registered trademark for "widgets" and Company B based in Tokyo has a business called "Widgets," who is entitled to register the domain name "widgets.com"? Is it Company A with the registered mark or Company B with the registered business name? Based on the DNR rules, the user who first registers that domain name will obtain the rights to it, subject to any dispute resolution outcome.

22. Richard L. Baum & Robert C. Cumbow, *First Use: Key Test in Internet Domain Disputes*, 18 Natl. L.J. C17 (Feb. 12, 1996).

23. Froomkin, *supra* n. 13, at 60. Network Solutions Inc., based in Herndon, Virginia, controls the master file containing all of the registrations for domain names. In June 1999, in order to create competition among domain name registrars, the DoC and Network Solutions created a "shared registry system" whereby a database was comprised of all the registrations for all gTLDs, which were collected by all sanctioned ICANN registries and maintained by the National Science Institute registry. NSI Cooperative Agreement - Amendment No. 11 <http://www.ntia.doc.gov/ntiahome/domainname/proposals/docnsi100693.htm> (accessed June 29, 2001).

24. Froomkin, *supra* n. 10, at 60.

25. A Registrar is an authority that registers domain names in a database in a TLD on behalf of clients or "registrants" in exchange for a fee. The database is maintained in a registry. Individual countries have been assigned a country code; for example, Canada's country code is ".ca."

process has been completed.[26]

2. *DNR and Network Solutions, Inc.*

During the second half of the 1990s, growth in Internet usage surged exponentially in both the business and consumer sectors.[27] Along with the growth came the "land rush" in domain name acquisitions, especially within the popular ".com" gTLD. As a result of a cooperative agreement[28] with the National Science Foundation, Network Solutions, Inc. ("NSI"), a corporation based in Herndon, Virginia, was given the sole responsibility of registering and managing gTLDs for businesses and consumers.[29] The immense popularity with the registration of domain names prompted NSI to request that it be permitted to charge fees for domain name registrations at a cost of $50.00 (USD) per annual registration.[30] This monopolistic cooperative agreement with the U.S. government resulted in an immediate cash windfall for NSI, generating millions of dollars in revenue. In addition, NSI had relatively lax registration requirements compared to other countries,[31] and was successful at pioneering and "commercializing" DNR. As a result, NSI's cooperative agreement became, in effect, "an exclusive license on the North American DNR business."[32]

B. Control of the "Legacy Root" and the Formation of ICANN

The current "control" of the Legacy Root can be appropriately analogized to the geopolitical ideals of Sir Halford J. Mackinder. In 1904, Mackinder published a paper,[33] in which he propounded the Heartland theory that Eurasia (Europe and Asia), notably Eastern

26. Froomkin, *supra* n. 10, at 41.

27. Mueller, *supra* n. 3, at 500. The growth was due in part to the introduction of the World Wide Web Application, which allows users to connect to network-accessible information with the use of an Internet Browser (e.g., Microsoft Explorer or Netscape).

28. NSF Cooperative Agreement No. NCR-9218742.

29. *Id.* The Cooperative Agreement was for five years and was to expire in 1998. In September 1998, the DoC replaced the National Science Foundation as the United States government entity administering the cooperative agreement.

30. NSI Cooperative Agreement, *supra* n. 28.

31. *Id.* As further described in Part IV (C)(2)(a), before November 8, 2000, registration of domain names in Canada was severely restricted to only those entities doing business in Canada based on strict Canadian Presence Requirements.

32. *Id.* NSI's cooperative agreement expired in September 1998 and in October of that same year, NSI's contract was amended with DoC. *See* <http://www.networksolutions.com/nsf/agreement/amendment11.html> (accessed June 29, 2001).

33. *Democratic Ideals and Reality: A Study in the Politics of Reconstruction* at 272 (London, Constable and Company, Ltd., 1919)

Europe, was the "geographical pivot" and "heartland" for control of the world. Mackinder's theory could be neatly summarized as:

> Who rules East Europe Commands the Heartland;
> Who rules the Heartland Commands the World Island;
> Who rules the World-Island Commands the World.

Although the theory never received the attention it deserved during the pre-World War I and II era in Great Britain and the United States, the idea of the "Heartland" as a natural seat of power was adopted in Germany, and was used to support Nazi geo-politics.

The *heart* of the controversy surrounding ownership of the DNS is comparable to Mackinder's Heartland theory. Essentially, the controversy surrounding DNS ownership can be classified as the following:

> Who rules the Legacy Root/Root Zone Commands the DNS;
> Who rules the DNS Commands the Internet; and
> Who rules the Internet Commands the "Internet" World.

The "legacy root" is a single file, which contains the authoritative list of which TLDs can exist.[34] It is the control of this file or "root" which has raised concerns amongst the Internet community since ownership of this root determines: (1) what TLDs and new TLDs are visible in the DNS, and (2) who retains authority over domain names and how domain names should be administered to the vast majority of Internet uses.[35] This monopolistic control of the legacy root should be cause for concern with the global Internet Community, as the power to decide which TLDs will be added to the legacy root can have serious implications for intellectual property rights holders.

1. Who Owns the Root?

With the substantial volume of direct interest that the United States government has displayed in administering domain names, it is the U.S. government, namely the DoC, which effectually controls the "root" and the DNS today.[36] According to law professor Michael

34. Froomkin, *supra* n. 10, at 43.

35. Weinberg, *supra* n. 7, at 197.

36. Prior to the involvement of the DoC, the management of the legacy root was administered directly by an entity called Internet Assigned Names and Number Authority

Froomkin of the University of Miami School of Law, the legal status of the United States government, namely the DoC's control over the legacy root, is a product of contract and consensus.[37] Since the U.S. government retains ownership over the single root data file containing all the TLDs, and because that data file is directly managed by Network Solutions via U.S. government contract, Professor Froomkin argues that it is in fact the U.S. government that owns the DNS.[38] This perceived governmental ownership has led to the DoC's attempt to move the administration of Internet domain names and IP addresses out of the U.S. federal government and into the hands of the private not-for-profit international organization, ICANN.

2. *The "White Paper"*

With increasing pressure between those users pressing for additional generic TLDs to be implemented in the legacy root and those interests protecting trademark holders who preferred to see a management system in place to protect intellectual property rights, coupled with the impending scarcity of domain names that were available in the ".com" gTLD,[39] President Clinton directed the Secretary of Commerce to privatize the DNS in July 1997.[40] In June 1998, for the purpose of privatizing the administration of domain names, the DoC released a White Paper on reforming the management of Internet domain names and addresses and the privatization of the entire DNS.[41] In essence, privatization of the DNS

("IANA") under the supervision of its director, Jon Postel. After IANA, the National Science Foundation took over the role of registering second-level domain names and entered into a cooperative agreement with Network Solutions, Inc. to perform the registration services. Weinberg, *supra* n. 7, at 198-199. For a further discussion of how the United States government has controlled the international reach of cyberspace, consult Brian Berlandi, *It's Our Way or the Highway: Americans Ruling Cyberspace – A Look Back at Bad Policy and a Look Ahead at New Policy*, 3 J. Tech. L. & Pol'y 1 (1998).

37. Froomkin, *supra* n. 13, at 63.

38. *Id.* at 44-45.

39. *Id.* at 63-64.

40. Management of Internet Names and Addresses, 63 Fed. Reg. 31, 741 (1998) [hereinafter "White Paper"].

41. Prior to the disclosure of the White Paper in January 1998, the United States government released a paper entitled "A Proposal to Improve Technical Management of Internet Names and Addresses," otherwise known as the "Green Paper." *See* Department of Commerce, National Telecommunications and Information Administration, *Improvement of Technical Management of Internet Names and Addresses*, 63 Fed. Reg. 8, 825 (1998). The Green Paper proposed the creation of a new not-for-profit corporation, which would operate as a private entity for the benefit of the Internet as a whole to administer the entire DNS. *Id.*

was one of the central tenets of the White Paper, which called for a more formalized structure for managing the DNS. "[O]verall policy guidance and control of the TLDs and the Internet root server system [would] be vested in a single organization that is representative of Internet users around the globe."[42]

The international Internet Community naturally had concerns about the decision to select a private body to administer the DNS, and that the U.S. would assume hegemonic control of this key technological development. For example, European governments were wary that U.S. trademark law would be imposed in the European milieu with respect to disputes over domain names. As a result, the Europeans demanded that the World Intellectual Property Organization ("WIPO") instead assume the active role in domain name governance.[43]

Despite the concerns raised by various international governments, in November 1998, the DoC officially recognized ICANN, a California based non-profit organization, as having the responsibilities for managing and administering domain names and numbers across the world.[44] The appointment of ICANN to this important role has also caused controversy among consumers, businesses, and the Internet community as a whole. Furthermore, the hand picking of ICANN by the DoC as the new entity responsible for managing and administering the DNS meant that NSI's cooperative agreement with the DoC would eventually come to an end. More importantly, NSI would have to recognize ICANN as a legitimate authority to carry out the functions described in the White Paper.[45] "The incorporation of ICANN was the first step in an attempt to shift the chain of authority from one centered on contractual relations with the U.S. government to one based on contracts with ICANN."[46] Additionally, the realization of a cash windfall from NSI's monopoly on DNR and control over the NSI's registry would come to an end, replaced by a Shared Registration System ("SRS") allowing multiple, competing Registrars to register domain names in the ".com," ".net" and ".org" gTLDs, a privilege only NSI had commandeered before.[47]

42. *Id.*
43. Mueller, *supra* n. 3, at 505.
44. *Id.* at 498.
45. *Id.*
46. *Id.* at 509.
47. *Id.* at 509. The DoC and NSI amended their contract to include this SRS system. However, NSI itself would still be allowed to operate as both a registry and a registrar.

3. *The Contentious Beginnings of ICANN*

Without any specific legal structure, and in light of the release of the DoC's Green and White Papers, ICANN began to have a formal private corporation manage and administer the DNS.[48] Similar to NSI's contract with the National Science Foundation/DoC to maintain a DNR registry, ICANN's existence was premised on a contractual basis with the DoC.[49] The DoC and ICANN formulated a "Memorandum of Understanding" between both parties, stating that ICANN was "the organization that best demonstrated that it [could] accommodate the broad and diverse interest groups that consists of the Internet community."[50] With the incorporation of ICANN and the DoC's selection of it to manage, administer, and govern the DNS, problems of its legitimacy began to surface as ICANN made a number of early decisions with potentially negative long-term effects.[51] The following depicts some of the controversial decisions made by ICANN.

4. *ICANN's Board of Directors*

The board of directors for ICANN was chosen behind closed doors in a secretive selection process.[52] As a result, the Internet Community grew wary of providing board members with unilateral power to make decisions on Internet governance. Another criticism of the Board was that many of them were unfamiliar with technicalities of the DNS and the Internet.[53] Furthermore, contrary to ICANN's early promises that half of its board members would be elected and comprised from an "at-large" membership representing the general public's interest, ICANN decided that "only 5 of 18 instead of 9 of 18 directors would be elected at-large." ICANN also promised that it would conduct an At-Large Membership Study to determine how and whether those additional four seats would be filled or if there should be any member elected directors at all.[54] Although an official statement from the At Large Membership

48. Froomkin, *supra* n. 10 at 70-71.

49. *Id.* at 70-71.

50. *See* National Telecommunications and Information Administration, *Memorandum of Understanding between the U.S. Department of Commerce and Internet Corporation for Assigned Names and Numbers* <http://www.ntia.doc.gov/ntiahome/domainname/icann-memorandum.htm> (accessed July 10, 2001).

51. Weinberg, *supra* n. 7, at 212.

52. *Id.* at 212-13.

53. Froomkin, *supra* n. 10, at 71.

54. ICANN Watch, *ICANN's First Two Years* <http://www.icannwatch.org/icann4beginners.php#first2> (accessed July 3, 2001).

Committee was published indicating the need for some mechanism to include public participation in ICANN's Internet governance, no suggestion was provided on how public participation should be achieved.[55]

5. *The Implementation of a Proposed Domain Name Tax*

In March 1999, ICANN published a set of regulations that would be used to "accredit" any organization wishing to function as a registrar within NSI's TLDs.[56] Critics saw these regulations as a profit-enhancing scheme for the financially insecure organization. One of the proposals set out in the regulations was that a registrar willing to register domain names be required to obtain $500,000 (U.S.) in liability insurance before being accredited.[57] Furthermore, the regulations proposed that a domain name tax be added whereby accredited registrars were required to pay ICANN a one-time fee of $5,000 (U.S.), plus $1.00 (U.S.) per year for every domain name registration. After serious political criticism from Internet gurus, the Internet community at large, and after a series of congressional hearings, the domain name tax was removed. Instead, ICANN proposed that a task force be created on the DNS infrastructure entities which would recommend an appropriate cost recovery plan for the organization.[58]

6. *The Implementation of the UDRP*

As will be discussed further in Part V *infra*, another decision made by the inexperienced members of the ICANN Board of Directors was the controversial implementation of the Uniform Dispute Resolution Policy ("UDRP"). In following the proposal set out in the White Paper and in an attempt to appease registered trademark holders, ICANN, with the assistance of WIPO, created a dispute resolution procedure that would allegedly make the DNS "safe for trademark holders."[59] In fact, some argue that the converse

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55. *See At-Large Membership Study Committee Discussion Paper #1* <http://www.atlargestudy.org/DiscussionDraftRev.5.4.htm> (July 12, 2001). For criticism of the Discussion Paper, see David McGuire, *ICANN Board Member Calls Governance Paper 'Wishy-Washy'* <http://www.newsbytes.com/news/01/167948.html> (July 13, 2001).

56. Mueller, *supra* n. 3, at 509.

57. *Id.* at 509.

58. Maura Ginty, *ICANN Drops Registrar Fee* <http://www.domainnotes.com/news/print/ 0,,5281_164621,00.html> (July 20, 1999).

59. Mueller, *supra* n. 3, at 508. The UDRP came into effect in October 1999, whereby it is limited to "cybersquatting" and uses a "mandatory" procedure to resolve issues. *Id.* The "mandatory" administrative proceeding is enforced through contracts

is true, as bias and manipulation play a major role on how cases are resolved in favor of trademark holders.[60] The attempt of ICANN to create an appropriate mechanism for alleviating disputes between two or more parties within DNR has failed to provide any concrete direction. It is another example of how ICANN-appointed dispute resolution arbitration providers have profited off the misfortunes of trademark holders who failed to secure registration of their desired domain name under the generic "dot.com" TLD.

IV
From Not-for-Profit Entity to "Cash Cow": How ICANN's Control over the Root Has Led to a Global "For-Profit" DNR Enterprise

The removal of the $1.00/name-year fee proposed by ICANN coupled with the lack of any financial support, resulted in ICANN falling into financial arrears.[61] To alleviate this financial burden, three agreements were entered into in September 1999 between ICANN, NSI and the DoC. The main points of those agreements included that: (1) NSI would officially recognize ICANN and would agree to operate the gTLD registry; in exchange, ICANN agreed to license NSI as the gTLD registry, (2) NSI would agree to accept domain name registrations from ICANN-appointed registrars only; (3) NSI's registrar prices for an individual DNR would be fixed at $35.00 (USD) per year; and (4) NSI would pre-pay registrar fees to ICANN of $1.25 (USD) million dollars (capped at $2 million dollars).[62] "From its inception, ICANN embarked on a series of moves designed to raise revenue and to solidify its authority."[63]

With ICANN securing its financial footing, being recognized by NSI, and having control on the authoritative root server, it was now in the enviable position of yielding its new found influence over the

imposed by all ICANN registrars on all domain name registrants. *Id.* Furthermore, the UDRP is limited to disputes in which "a domain name is identical or confusingly similar to a trademark or service mark in which the complainant has rights, the domain name registrant has no rights or legitimate interests in respect to the domain, and the domain name has been registered and is being used in bad faith." *Id.*

60. Michael Geist, *Fair.com?: An Examination of the Allegations of Systemic Unfairness in the ICANN UDRP* at 2 <http://aix1.uottawa.ca/~geist/geistudrp.pdf> (accessed Aug. 2001).

61. Mueller, *supra* n. 3, at 514.

62. *Id.* at 514-15.

63. Froomkin, *supra* n. 10, at 72.

DNR process. As such, with the saturation of the ".com" gTLD, it would be responsible for the implementation of seven additional gTLDs in the DNS and the decision of who would administer those gTLDs. Before the implementation of the SRS, the popular ".com", ".org" and ".net" gTLDs had been controlled and run by NSI. The purpose of this part is to illustrate that although NSI was the pioneer in DNR through its popularization of DNR in the gTLDs, especially the ".com" gTLD, it is now ICANN, through the DoC, that has legitimized DNR. ICANN is creating a new economy of DNR by having the industry bloom exponentially without much consideration to future potential implications such as trademark disputes.

A. The Advent of the DNR Business

When publicity surrounding the new Internet economy and 'dot.com' brand awareness began to surface during the late 1990s, it was largely due to the pioneering efforts of NSI, which created interest in domain names and the commercialization of their registration.[64] Prior to the inception of ICANN, the DoC had provided NSI a monopoly over the most popular generic gTLDs where users of the Internet could register domain names. On March 7, 2001, NSI was acquired by California based VeriSign, Inc., a provider of Internet Trust Services, for an arrangement worth approximately $21 Billion (USD).[65] NSI now acts as a wholly owned subsidiary of VeriSign.

It was not until the DoC intervened between October 1998 and June 1999, and amended their contract with NSI to require NSI to create a SRS to permit other registrars to allow for DNR in their gTLDs, that the real impact of DNR was felt within the Internet community.[66] The advent of additional registrars meant that there would be open competition amongst the various registrars and Network Solutions, to register lucrative domain names at cutthroat prices compared to the fees NSI had previously charged. At this juncture, ICANN intervened and exercised its authority on how the DNS and DNR would be governed, and where the marriage of dollars and domain names came together. "The real impact of the changes was to put authority over to registrars in ICANN's rather than NSI's [control], and to allow ICANN to exploit its government-

64. Mueller, *supra* n. 3, at 500.

65. VeriSign Press Release, *Verisign Acquires Network Solutions to Form World's Largest Provider of Internet Trust Services* <http://corporate.verisign.com/news/2000/pr_20000307.html> (Mar. 7, 2000).

66. Mueller, *supra* n. 3, at 511.

created gateway into the [".com," ".org" and ".net"] database as a source of revenue."[67] With the implementation of the SRS, ICANN required that every registrar wishing to register domain names to the general public be appropriately accredited. ICANN now had the opportunity to assert its authority and charge fees in relation to accreditation, in order for others to be included in this exclusive DNR association.

B. ICANN Registrar Accreditation

Various fees are associated with the application process to become an ICANN accredited registrar. Fees must be paid directly to ICANN and to the three current domain name registry operators, in exchange for registration among their individual TLDs.[68] First, a one-time, non-refundable $2,500 (USD) application fee must be paid to ICANN. ICANN recently increased the fee by $1,500 (USD), citing the need for "faster turnaround" and "improved service" in domain name administration.[69] Second, along with the non-refundable fee, $4,000 (USD) must be paid to ICANN for the first TLD that the registrar wishes to be a part of (i.e., ".com"); an additional $500 (USD) is charged for each additional TLD the registrar wishes to allow for as part of a yearly accreditation fee.[70] In conjunction with application fees, ICANN requires that a potential registrar have at least $70,000 (USD) in working capital before they are permitted to function as a registrar. Individual domain name registry operators have appropriate fee payment arrangements based on individual criteria, per individual registrar requirements. Therefore, becoming a member of this organization requires that any business desirous of becoming an accredited registrar must first demonstrate a substantial amount of investment, as an effort to show ICANN its willingness and commitment to remain as a registrar.

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67. *Id.*

68. In addition to paying a one-time fee to ICANN to become an accredited registrar, there are secondary fees to be paid to the individual operators of those gTLDs. Those fees are to be paid to NeuLevel (for ".biz" TLD), Afilias (for ".info" TLD), and Verisign Global Registry Services (for ".com"; ".org"; and "net."). ICANN recently selected both NeuLevel Inc. and Afilias to be the registry operators for the ".biz" and ".info" TLDs, respectively.

69. *See* ICANN, *ICANN Stockholm Meeting Topic: Registrar Application Fees and Annual Registrar Fixed Accreditation Fees* <http://www.icann.org/stockholm/registrar-fee-topic.htm> (Apr. 17, 2001).

70. *See* ICANN, *ICANN Registrar Accreditation: Financial Considerations* <http://www.icann.org/registrars/accreditation-financials.htm> (accessed July 20, 2001).

C. The Industry Buzz over Dot.Com

Realizing the ICANN accreditation scheme and the revenue potential associated with domain names, key figures and entrepreneurs in the industry, including individual governments with their own country codes, recognized legitimate and illegitimate opportunities in this business. The following represents industry and government attempts to cash in on the "dot.com" craze.

1. Domain Name Speculation

With the advent of the SRS and subsequent explosion of new registrars in the DNS, along with the increased importance of businesses having an established Internet presence through 'branding', the eventual 'land rush' for domain names took new meaning. Based on a first-come, first-served basis, DNR exploded with legitimate and illegitimate registrations of corporate and individual names, especially in the lucrative ".com" TLD.[71] Thus, began the era of domain name 'piracy', otherwise known as

> cybersquatting—the practice of registering domain names, usually based on prominent trade names, trademarks, or corporate names, before the legitimate holders (i.e., corporations) have had an opportunity or interest in registering the domain names for themselves.[72]

Before the implementation of anti-cybersquatting legislation in the United States and ICANN's administrative UDRP[73] processes, domain name speculation was a lucrative business. In fact, it grew into a multi-million dollar business, whereby domain names such as

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71. Mah, *supra* n. 4. "No other TLD carries the name recognition of dot.com, making the suffix an extremely rare and desirable commodity." *Id.*

72. Cybersquatters, in their strategy to entice the legitimate owner(s) of the domain name, often attempt to profit by selling the domain name back to the owner at high prices. Katyal, *supra* n. 20, at 4. Famous early examples include: "mtv.com," where the MTV domain name was originally taken by MTV video jockey Adam Curry. *Id.* Although MTV originally showed little interest in the domain name or the Internet, when Adam Curry left MTV the company wanted to control the domain name. *Id.* After a Federal Court action was brought, the dispute settled out of court. *Id.* Other earlier and popular domain name battles include *The Gap, Inc.*'s dispute over the domain name "thegap.com" and *Apple Computer's* dispute over the domain name "newton.com." *Id.*

73. The United States Anticybersquatting Consumer Protection Act, 15 U.S.C. § 1125(d)(1)(C) (West 2001), legislation went into effect on November 29, 1999, and ICANN's Uniform Dispute Resolution Policy became effective on October 24, 1999. ICANN, *Timeline for the Formulation and Implementation of the Uniform Domain-Name Dispute-Resolution Policy* <http://www.icann.org/udrp/udrp-schedule.htm> (accessed Apr. 9, 2002).

"wallstreet.com" were valued at $1.03 million dollars (USD) and $7.5 million dollars (USD) for "business.com" in the year 2000.[74] As a consequence, the appraising and auctioning of domain names became a whole new trade, whereby companies were established solely for the purpose of auctioning and appraising domain names. Greatdomains.com and register.com (one of the first registrars to compete with NSI, now VeriSign) are just some of the major companies that have been repeatedly accused of acting as a safe haven for cybersquatters.[75] Similar to domain name squatting, and often referred to as "domain parking", DNR companies such as these often promote services to individuals and organizations who wish simply to register a domain name without ever incorporating it into an active web site and paying annual maintenance costs. "Cybersquatters have [also] helped build NSI's [now a subsidiary of VeriSign] billion dollar business by realizing early the worth of commercial domain names and claiming them as speculative investments."[76] In fact, domain names have even appeared on the giant Internet auction site, eBay. In an attempt to compete for the profitable DNR business, companies such as these are signs of a troubled DNR industry as ICANN accredited Registrars are associating themselves with cybersquatters, further exacerbating the problem trademark professionals and the Internet community are trying to prevent.[77]

2. *Country Code Top Level Domain Names*

In addition to the popular gTLDs, such as ".com" and now ".biz" and ".info," whose registration procedures are administered by ICANN, there currently exist 244 country code TLDs such as Canada's ".ca" and the United States' ".us," which are assigned and

74. Mah, *supra* n. 4.

75. Cheryl Mah, *NSI Promoting Cybersquatting* <http://dnsindex.com/Guides/greater.shtml> (May 24, 2000).

76. *Id.* The domain name giant, Verisign Inc., which acquired NSI, has also been accused of becoming a major player in the domain name speculation business and can also be considered guilty of cybersquatting. *Id.* Mah questions whether an organization [then NSI] entrusted to act as a registrar of the Internet's crucial domain names should be allowed to engage in a business practice that further undermines the stability of the domain name industry itself. *Id.* Since VeriSign has such a great influence over the domain name market, there appears to be a conflict of interest at work. *Id.* "While ICANN struggles with the issue of cybersquatters, NSI [now Verisign] and other registrars exhibit little interest in curbing the practice." *Id.* The reluctance on the part of ICANN and its domain name registrars to prevent or regulate cybersquatting illustrates the point that commercial interests supercede any concern for this practice. *Id.*

77. *Id.*

managed by individual countries.[78] Following the lead by others in the industry, individual governments, large and small, have not been oblivious to the domain name trend, and as such have realized the immense value associated with having a commercialized national domain name presence on the Internet.

Even the European Union, having now their own currency, is entering into the DNR business and pressuring ICANN to establish their own designated county code, ".eu."[79]

With the saturated gTLDs, especially ".com," country codes have taken on new meaning and have created growing business opportunities for countries. In addition to ICANN-accredited registrars, individuals and businesses can now register their domain names based with a country code TLD. The DNR results have been similar to those experienced by the DNR in gTLDs. Cybersquatting is now a growing problem within these realms as well.

However, a troubling and increasing movement with country code TLDs has been the willingness of governments to license their national rights to administer their country code domain name to other marketing-oriented companies. With an attractive country code TLD, such as the South Pacific nation of Tuvalu and its ".tv", governments are profiting handsomely through such arrangements by opening "their domains to a global audience, marketing themselves as an alternative to the increasingly crowded ".com" namespace."[80] There are a plethora of examples. The Cocos Islands, an Australian territory of approximately 700 residents, has licensed its country code ".cc" to Seattle-based eNIC corporation.[81] Additionally, "dotTV", a Los Angeles-based company, recently paid $50 million dollars (USD) to the South Pacific Island nation of Tuvalu to administer its country code domain name ".tv."[82] Recently, in an attempt to raise money for scholarships, La Universidad de Los Andes, the university

78. As there are no prerequisites for registration within the gTLDs with an ICANN-accredited registrar, individual countries have set up their own procedures and restrictions before potential registrants can register a domain name within their country code. In a majority of instances, country code TLDs are managed by government based universities or government institutions.

79. Reuters, *ICANN: EU Plots Launch of .EU Domain* <http://www.zdnet.com/zdnn/stories/news/0,4586,2767686,00.html> (June 2, 2001).

80. Reuters, *University Throws .co Into Domain Mix* <http://news.cnet.com/ news/0-1005-200-6247426.html> (June 11, 2001).

81. *Id.*

82. *Id.* On January 7, 2002, DNR giant, VeriSign, acquired the rights to the .tv country code. David McGuire, *Verisign Takes Over Dot-TV Internet Domain* <http://www.technews.com/news/02/173452.html> (Jan. 8, 2002).

administrator of Colombia's ".co" country code since 1991, has requested bids from companies that would market its domain name internationally as a competitive alternative to the already inundated ".com" gTLD.[83] The U.S. government has also tried to profit on the attention given to country codes by tendering the process for proposals by companies to administer its ".us" domain.[84] By licensing away their rights to their country's individual domain name, governments are lending themselves to commercial pursuits as opposed to some form of structured scheme of DNR governance. Canada (".ca"), and its new governing authority for domain names, the Canadian Internet Registration Authority ("CIRA"), can also be found guilty of entering the market of commercialized DNR. Therefore, what was once a restricted and regimented regime of applying for domain names has now become a system comparable to ICANN's, based on a first-come, first-served basis.

a. Case Study: The Restructuring of Canada's .ca Domain Name Registry

The administration of Canada's .ca domain name registry has followed a similar path to that of ICANN. From 1987 to November 2000, the .ca domain name registry was headed by a committee led by John Demco of the University of British Columbia on a volunteer basis. Applying for a domain name in this registry was a "closed" process based on restrictive rules on who could register a domain name. Initially, to qualify for a .ca domain name registration, an organization must have (1) been federally incorporated, (2) have offices in at least three provinces or territories in Canada or (3) be an owner of a registered trademark in Canada.[85] By sending a simple e-

83. *Id.*

84. Reuters, *U.S. Closes Bidding On ".us" Domain Bids* <http://www.siliconvalley.com/docs/news/tech/000316.htm> (July 27, 2001). As a result, the winner of the lucrative contract could stand to collect millions of dollars in registration and licensing fees by marketing the ".us" country code to the general public. *Id.* As of October 29, 2001, the US DoC has awarded administration duties for the ".us" domain name to NeuStar, a Washington based firm that also administers the ".biz" domain name, <http://www.newsbytes.com/news/01/171604.html> (Oct. 29, 2001).

85. Michael Erdle, *Domain Name & Trademarks: Two Sides of the Same Coin*, Materials prepared for *Trademarks I – An Intensive Practical Course*, McGill University (Aug. 17, 2001). Organizations were restricted to having only one domain name, and companies with multiple registered trademarks were not permitted to register each of the marks as a separate domain name. *Id.* However a common trend for non-resident companies were to set up shell companies in Canada to meeting the Canadian presence requirement. *Id.* It is important to note that individuals wishing to register a domain name in this registry were unable to do so at this time. *Id.*

mail to the committee at the University with the correct information, and without any registration or maintenance fees, an organization could have its domain name within one week's time. However, due to the increasing popularity with the DNR and the inception of the SRS by the DoC and ICANN and the formation of ICANN, there was discussion in Canada of a "planned liberalization" of the .ca rules.[86]

In 1998, the Canadian Domain Name Consultative Committee ("CDNCC") was established in Canada to review recommendations for changes to the .ca registry.[87] Following the trend of other countries and others in the industry trying to capitalize on DNR and on the recommendations of the CDNCC,[88] a new administration was created to manage the .ca registry—CIRA.[89] On November 8, 2000, the new rules in relation to this domain name framework were implemented and the .ca was officially managed by CIRA. The new rules now permit both individuals and organizations be allowed to register an unlimited number of .ca domain names, on a first-come, first-served basis, provided they meet the new Canadian presence requirements.[90] As such existing domain names under the old system

86. Mark K. Evans & Elliott S. Simcoe, *An Update on Domain Name Reform in Canada* Domain Names 20 (Apr. 2001); *see also* Mark Evans & Tyler Hamilton, *Canada's Name Game* <http://news.globetechnology.com/servlet/GAMArticleHTMLTemplate?tf=globetechnology/TGAM/NewsFullStory.html&cf=globetechnology/tech-config-neutral&slug=TWCAIP20&date= 20000120> (Jan. 20, 2000).

87. *See* Canadian Domain Name Consultative Committee, *Framework for the Administration of the .ca Domain Name System* <http://www.canarie.ca/cdncc/finalreport.html> (accessed Sept. 3, 2001) [hereinafter CDNCC].

88. *Id.*

89. Incorporated in early January 1999, an interim Board of Directors, composed of the representatives of the Canadian Internet community, was appointed to manage the transition to CIRA's new domain name framework. *See* Erdle, *supra* n. 85, at 15.

90. Under the new Canadian Presence Requirements, only the following entities may register a .ca domain name: (1) a Canadian citizen; (2) a permanent resident of Canada ordinarily resident in Canada; (3) a legal representative of one of the above; (4) a Canadian corporation incorporated federally, provincially or territorially; (5) a trust established under the laws of a Canadian province or territory, where more than two thirds of the trustees meet one of the conditions above; (6) a partnership registered under the laws of a Canadian province or territory, where more than two thirds of the partners meet one of the conditions above; (7) an unincorporated association where at least 80 percent of the directors, officers, employees etc. are ordinarily resident in Canada and at least 80 percent of the members either are ordinarily resident in Canada or meet one of the conditions above; (8) a trade union having its head office in Canada and being recognized by a Canadian federal, provincial or territorial labor board; (9) a Canadian political party registered federally, provincially or territorially an educational institution located in Canada and recognized by the Canadian Parliament, by a Canadian provincial or territorial legislature, or by a Canadian provincial or territorial educational authority; (10) a library, archive museum etc. that is located in Canada, is not for profit, and is open to the public or to researchers; (11) a hospital located in Canada and licensed by a

managed by the John Demco would be preserved only if they were pre-registered with the Registry by November 1, 2000.[91]

As a result of the .ca rules changing, Canada has also fallen victim to capitalizing on an open DNR scheme, by opening the floodgates, based on a first-come, first served basis and lending the registry subject to domain name speculators. On November 8, 2000, alone, 68,000 new .ca domain names were registered with CIRA, and approximately 4,000 to 5,000 .ca domain names are registered each week.[92]

3. *DNR in Multilingual Characters*

In another attempt to further exploit its opportunities in DNR, and in light of the ever popular dot.com TLD, several of the world's largest domain name registrars (Register.com and VeriSign) have recently introduced DNR in 39 different characters sets for over 350 languages. Previously, DNR was only permitted in English-language character names. However, through participation in a 'test bed' process, companies will be able to register non-English character sets, including Chinese, Japanese and Korean, in the ".com," ".net" and ".org" domains.[93] This test bed has been harshly criticized by the Internet community as potentially creating further conflicts among legitimate rights holders within this domain name space.[94] This attempt by various registrars to offer alternative services using character sets is not a new phenomenon. Previously there was a character length limit of 26 alphanumeric characters permitted within a domain name registration for the gTLDs (including the TLD). In

Canadian provincial or territorial legislature; (12) Her Majesty the Queen and her successors; (13) a Canadian federal, provincial, territorial, municipal or local government or government agency; (14) a Canadian Aboriginal peoples or an individual belonging to a Canadian Aboriginal peoples; (15) a Canadian Indian band or group of Indian bands; (16) the owner of a Canadian trademark registration, but only with respect to registration of a .ca name consisting of or including the exact word component of that registered trademark (it will no longer be possible to register domain names on the basis of a pending trademark application); and (17) the owner of a badge, crest, emblem or mark published under Subsection 9(1) of the Canadian Trademarks Act, but only with respect to registration of a .ca name consisting of or including the exact word component of the published badge, crest, emblem or mark. Canadian Internet Registration Authority, *Canadian Presence Requirements for Registrars* <http://www.cira.ca/official-doc/68.RPPG_00003EN.txt> (Aug. 15, 2000).

91. CDNCC, *supra* n. 87.

92. Evans & Simcoe, *supra* n. 86, at 20.

93. Carolyn Duffy Marsan, *Multilingual Domain Names under Fire* <http://www.cnn.com/2000/TECH/computing/11/10/domain.name.trouble.idg> (Nov. 16, 2001).

94. *Id.*

1998-99, this number was further increased by NSI to 67 characters.[95] Again, tending to take every advantage of the DNR, the then-NSI eliminated the rule, and now no character limit requirement exists.

D. ICANN's Implementation of Seven Additional gTLDs

With increasing pressure from the American government[96] and industry to create further DNR revenue and without concerns for increased domain name speculation, ICANN's board of directors in November 2000 controversially selected seven new gTLDs for the Internet from a field of 44 proposals from various organizations such as ".health" by the World Health Organization.[97] The seven new gTLDs include: ".aero" (aerospace); ".biz" (business); ".coop" (cooperative businesses); ".info" (information); ".museum"; ".name"; and ".pro" (professional).

The controversial decision stemmed from the process in which the new gTLDs were selected. Each of the 44 proposals was accompanied by a non-refundable $50,000 (USD) application fee payable directly to ICANN. Non-profit groups and small entrepreneurs, believing that such a monetary barrier foreclosed any possible entry to becoming a legitimate TLD operator, raised concerns over the amount and the validity of the non-refundable fee. Furthermore, in selecting from the group of 44 applications, ICANN apparently favored established and well-financed companies. As expected, the prominent figures already in the DNR industry were affiliated with those successful in landing the new gTLDs and cashing in on the millions of dollars in registration fees that were associated with this scheme.[98]

Additional concerns have been raised whether such further domain names are even required in the first place. The real benefit of these additional domain names will be for the companies that maintain these new TLDs, and will reap the financial rewards in

95. *See* VeriSign/Network Solutions FAQ page <http://www.networksolutions.com/en_US/help/general.jhtml> (accessed July 24, 2001).

96. The U.S. Congress is demanding even further domain names be added to the root server. *See* David McGuire, *Congressional Leaders Demand New Internet Domains* <http://www.newsbytes.com/news/01/168780.html> (Aug. 7, 2001).

97. Carolyn Duffy Marsan, *ICANN under Attack* <http://www.thestandard.com/article/0,1902,22068,00.html> (Feb. 8, 2001).

98. Ben Charny, *Did ICANN Help the Rich Get Richer?* <http://www.zdnet.com/zdnn/ stories/news/0,4586,2655497,00.html> (Nov. 17, 2001). The winner of the ".info" TLD was backed by a company called Afilias, which is a partnership of 19 existing registrars, including NSI and Register.com. Register.com was also part of the winning bid for ".pro," which will administer Web addresses for lawyers, accountants and doctors. *Id.*

DNR.[99] However, these domains will only further confuse Internet users rather than increase their "choices."[100] Furthermore, "the move will also cause needless headaches and expenses for many Internet businesses that will now have to register their companies' names in multiple gTLDs with multiple registrars [to avoid the domain name speculation problem]."[101] These additional obstacles and expenses associated with registering these domain names can be fully explained with reference to the complex application procedures associated with the new TLDs that are due out in October 2001, ".biz" and ".info."

1. .Biz and .info

On May 15, 2001, ICANN finalized its accreditation agreements with the new ".biz" and ".info" gTLD registries. Unlike previous gTLDs, such as ".com" and ".net," the ".biz" registry (administered by NeuLevel Inc.) would be restricted to businesses or individuals operating a web site for commercial purposes. The ".info" registry (administered by Afilias Ltd.), however, would be open to any business or person wishing to register a domain name under this TLD. Furthermore, to prevent the "land grab" of available domain names as was experienced with the previous gTLDs, both NeuLevel and Afilias set up special procedures to protect registered and common law trademark holders to preserve their rights in these domain name spaces. To ensure that the new ".biz" TLD was introduced in a fair and orderly environment, NeuLevel designed a three-phase IP Claims service.

During phase one, trademark owners could notify NeuLevel of their registered trademark or common law rights by submitting an Intellectual Property Claim ("IP Claim"), either directly to NeuLevel or through an authorized registrar.[102] A fee component would be

99. Global Name Registry, the tiny Internet upstart that was awarded the ".name" registry by ICANN, is expected to reap millions of dollars from handing out domain names to individuals, and plans to use that cash to become the Internet's main identity tool. *See* Reuters, *Dot-name to Rake in the Cash* <http://www.zdnet.com/zdnn/stories/news/0,4586,2766691,00.html> (May 30, 2001).

100. Todd Spangler, *Dot-Stupid* <http://www.zdnet.com/zdnn/stories/comment/0,5859,2763936,00.html> (May 22, 2001).

101. *Id.*; *see* C. Kolker, *Name Games: The Second Rush for Internet Handles is About to Begin, The First Time it was Anarchy; This Time, It's Merely Confusing,* The American Lawyer 77 (Sept. 2001).

102. During the second phase, applicants whose prospective domain names exactly match a character string that is the subject of an IP Claim would be notified of the conflict. As a result of the conflict, the resulting domain name would be automatically held for a 30 day cooling off period once the registry is fully activated, during which time

attached to the process, whereby submitting an IP claim for each respective trademark would cost the user $90.00 (USD) if done through NeuLevel directly.

Phase two would allow businesses the opportunity to "pre-register" the ".biz" domain name(s) that they wished to register prior to the registry's activation. Since the process for selecting domain names under this TLD was based on a controversial random lottery process, the more applications that a corporation submitted for a particular domain name the better the chances it would have to get that particular domain name selected and eventually registered.[103] As such, the costs per domain name associated with pre-registration can range anywhere between $5.00 (USD) for 1-10 domain names pre-registered to $3.00-$4.50 (USD) for a larger number of domain name pre-registration applications.[104] As illustrated, the costs associated with applying for a domain name in this registry can be quite exorbitant. Nonetheless, the complexity, uncertainty, and unjust nature of the application process for this TLD has led to a class action lawsuit being brought by an Arizona-based businessman and a Los Angeles company against NeuLevel, ICANN, and its accredited registrars offering the ".biz" TLD. The lawsuit claims that the defendants are engaged in a criminal lottery system by offering only the chance to register a ".biz" address by not providing any "value" to the plaintiffs in consideration of the fees that they have paid.[105] By taking a holistic approach in analyzing the lawsuit, plaintiffs' claims are not unmeritorious. NeuLevel and ICANN are offering a service to the public on the chance that one will be successful at registration based on an application fee. Although arguable, the "value" or "consideration" in respect to the application of the domain name

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the trademark owner would have an opportunity to challenge the registration through NeuLevel's Start-Up Trademark Opposition Policy ("STOP"). Again, another fee component would be attached to this dispute policy.

103. In an attempt to discourage the entry of NeuLevel and its ".biz" TLD, VeriSign in June 2001, through its subsidiary NSI, actively solicited its customers by e-mail claiming that "NeuLevel [was] treating the random registrant selection process like a lottery" and asking customers to submit multiple applications for the pre-registration of domain names by offering bulk discounts. See Kieren McCarthy, *Is VeriSign Trying to Shaft the .biz Domain* <http://www.theregister.co.uk/content/6/19917.html> (June 22, 2001). Since VeriSign is a partner in Afilias's "info" registry, its strategy was to damage the reputation of its competitor before it entered the DNR market, and in the meantime gain financial success through playing up the attention to the lottery scheme associated with this TLD. *Id.*

104. *Id.*

105. *See Smiley v. Internet Corp. for Assigned Names and Numbers,* Cal. Sup. Ct. La. Co., Case No. BC254659 (July 23, 2001).

does not appear to be readily forthcoming.

Phase three would see the activation scheme of the ".biz" registry in October of 2001. The ".info" registry scheme can be classified into similar phases as the ".biz" registry, with the exception that only nationally registered trademark holders can, through a Sunrise period, pre-apply to register domain names identical to the textual or word elements of their individual trademarks prior to registration by the general public. After this preliminary phase, Afilias would begin accepting ".info" domain name applications from the general public. Again, multiple applications for the same name will also be subject to the randomized selection process.

As expected, the complex process of applying for these new TLDs and the associated fees are seen by corporations as yet another attempt of companies such as VeriSign and NeuLevel to try to maximize their earnings. To profit off the misfortunes of corporations that missed out by failing to register in the ".com" TLD and playing off of fears that the ".biz" is the competitive alternative to ".com," "[NeuLevel] is treating large companies, and [intellectual property] holders in general, as a gold mine."[106] The complaints from businesses range from the confusing legal processes in registering the domain names and hefty fees associated with NeuLevel and Afilias's IP Claim and Sunrise Periods, respectively, to the random lottery process associated with these TLDs.[107] The pre-registration fees charged by registrars with IP Claims, and possible dispute resolution regime for these new TLDs, appears to be an extortive attempt against corporations to comply or face drastic consequences such as those had under the ".com" TLD. This could not have been the intent that ICANN supposedly wanted with the creation and selection of the seven new gTLDs, or could it have been?

2. *Alternatives to ICANN*

In an attempt to bypass the bureaucracy associated with ICANN and their administration of domain names, several Internet entrepreneurs have established a competitive alternative to ICANN and its DNS. As explained in Part III of the paper, ICANN, with the assistance of the DoC, has *de facto* control over the "root server," which is the entity that determines what TLDs can exist in

106. Carolyn Duffy Marsan, *Users Call New Domains Confusing, Costly* <http://www.nwfusion.com/news/2001/0604dotbiz.html> (June 4, 2001) (bracketed language in original).

107. Marsan, *supra* 106.

cyberspace. Companies such as the Atlantic Root Network, have been offering a ".biz" domain name through an alternative root system, which serves as a substitute to the root server that is controlled and governed by ICANN.[108] As such, those with a computer which can recognize the alternative root on the Internet can purchase this domain name at a cost of $6.00 (USD)/per year and avoid the bureaucratic challenges and costs associated with that of registering with an ICANN accredited registrar.[109]

As a second alternative, a California start-up corporation, New.net, Inc., recently began selling Internet domain names based on 20 new top-level domain extensions, such as ".xxx" and ".sport" at a cost of $25.00 (USD) per domain name.[110] In an attempt to bypass the current ICANN DNS, New.net persuades major Internet service providers to use software that automatically routes users to the new Web addresses by changing certain settings within users Web-browser programs.[111] The merit of these two competitive alternatives[112] to ICANN is commendable. However, these alternatives may be problematic with respect to the lack of exposure these domain names would receive on a root server other than ICANN's. In other words, would anyone be willing to pay a lesser fee to get their desired TLDs without the exposure that ICANN brings with their authoritative DNS? In its defense, New.net claims that it has exposure to over 16 million users of the Internet, and, although a sizable number, it is significantly smaller than the total number of the ICANN based on-line community.

Also, these alternatives may add confusion for users of the Internet who are already accustomed to the intricacies and complexities of the Internet. Different root servers operating at the same time with different web-settings can confuse those users wishing to enter one web site, while being blocked out or diverted to another site.[113] Furthermore, the creation of duplicate web sites with the same

108. McCullagh, *supra* n. 16.

109. *Id.*

110. Don Clark, *New Twist in Top-level Game* <http://www.zdnet.com/zdnn/stories/news/0,4586,2692518,00.html> (Mar. 5, 2001).

111. Clark, *supra* n. 110.

112. For a discussion on New.net's initiatives to enhance competition in the current DNS sphere, see New.net, *A Proposal to Introduce Market-Based Principles into Domain Name Governance* <http://www.new.net/NewnetPaper.pdf> (accessed June 30, 2001). For a response to New.net paper, see ICANN, *Keeping the Internet a Reliable Global Public Resource: Response to New.net "Policy Paper* <http://www.icann.org> (accessed July 10, 2001).

113. Andy Patrizio, *Confusion is Domain Problem* <http://www.wired.com/news/

web-address (i.e., Atlantic' Root Server's ".biz") can also add to the confusion. With the plethora of entrepreneurs staking out their territory in cyberspace and the ever increasing number of disputes arising between trademark owners and cybersquatters, the legal process has attempted to resolve matters within this new realm of intellectual property.

V
Legal Ramifications of DNR

The legal milieu has not been immune to the recent developments of disputes arising out of domain name registration. In fact, lawyers have also profited handsomely off the misfortunes of corporations failing to secure a desired domain name in cyberspace. Many legal professionals and major law firms across Canada and the United States have now dedicated portions of their intellectual property departments to focus specifically on dealing with the practice of Internet law, with a concentration on domain name dispute arbitration and litigation. The implementation of the ICANN's UDRP and the subsequent amendments made to the U.S. *Lanham Act*[114] (the Anti-Cybersquatting Consumer Protection Act "ACPA"), along with the implementation of the seven new gTLDs, has created a "litigation" boom amongst lawyers and will continue as long as new domain names continue to be made available by ICANN.[115] Although the arsenal of dispute mechanisms available to trademark professionals are plentiful to combat disputes arising from DNR, the results of these mechanisms have had inconsistent results, more so in Canada than in the United States. These varying results indicate both the unfamiliarity, confusion, and bias resulting from this complex and rapidly expanding.

business/0,1367,42373,00.html> (Mar. 14, 2001).

114. The Lanham Act was amended on November 29, 1999, by enacting the ACPA, 15 U.S.C. § 1125(d)(1)(C), which provides for a civil remedy against cybersquatting. Under the ACPA, a court may order that the infringing domain name be forfeited, canceled or transferred to the owner of the trademark.

115. Carryl Van Duch, *Cybersquatter Litigation Boom* <http://www.law.com> (Feb. 20, 2001). More than 700 lawsuits seeking some form of relief against suspected cybersquatters were filed in federal courts across the United States between September 2000 and February 2001.

A. The Courts

With respect to the legal process in Canada, there exists significant unfamiliarity among the Canadian judiciary with respect to domain names and how they work in conjunction with the Internet.[116] Although not true about all Internet and domain name cases, the rapid pace of technology naturally seems to be outpacing its reciprocal developments in the law. An example of this is how Canadian courts have incorrectly considered jurisdictional issues in relation to Internet matters.[117] As the Internet is global in scope, the issue of jurisdiction is of prime importance in commencing a lawsuit.

The situation in the United States appears to be better defined, because of lawmakers' concerted attempts to protect trademark holders. Thus, there exists ground breaking legislation, such as the ACPA, which effectively limit the attempts by cybersquatters to profit off legitimate trademark holders. Based on early United States jurisprudence, which has considered the ACPA, it appears that legitimate and famous trademark holders are winning the fight against cybersquatters.[118]

B. The UDRP

The implementation of ICANN's UDRP can be seen as a further attempt by ICANN to profit off those whose lucrative domain name

116. Michael Geist, *Confusion Reigns in Domain-Name Cases* <http://news.globetechnology.com/servlet/GAMArticleHTMLTemplate?tf=globetechnology/TGAM/NewsFullStory.html&cf=globetechnology/tech-config-neutral&slug=TWGEIS&date=20010517> (May 17, 2001); Michael Geist, *Cyberlaw Shows Its True Colours* <http://news.globetechnology.com/servlet/GAMArticleHTMLTemplate?tf=globetechnology/TGAM/NewsFullStory.html&cf=globetechnology/tech-config-neutral&slug= TWGEIS&date= 20010906> (Sept. 6, 2001). For example, previous cases such as *PEINET Inc. v. O'Brien*, 61 C.P.R. 3d 334 (P.E.I. Sup. Ct. T.D 1995), and recent cases such as *Itravel2000.com Inc. v. Fagan*, 104 A.C.W.S. 3d 172 (Ont. Sup. Ct. of Justice 2001), suggest that the Canadian courts are still unfamiliar with the intricacies of the Internet and how DNR differs between country codes and those registered under the generic gTLDs administered by ICANN accredited registrars.

117. For examples of Canadian cases which again have failed to understand the nature of the Internet in relation to the issue of jurisdiction, see *Pro-C Ltd. v. Computer City, Inc.*, 7 C.P.R.4th 193 (Ont. Sup. Ct. Justice 2000), *rev'd* Court File No. C34719 <http://www.ontariocourts.on.ca/decisions/2001/September/pro-cC34719.htm> (Ont. Ct. of Appeal June 21, 2001); *Easthaven Ltd. v. Nutrisystem.com Inc.*, O.J. No. 3306, Court File No. 00-CV-202854 (Ont. Sup. Ct. Justice Aug. 15, 2001).

118. *See generally* Xuan-Thuo Nguyen, *Blame it on the Cybersquatters: How Congress Partially Ends the Circus among the Circuits with the Anticybersquatting Consumer Protection Act* 32 Loy. U. Chi. L.J. 777 (Summer 2001); Jason H. Kaplan, *The Anticybersquatting Consumer Protection Act: Will it End the Reign of the Cybersquatter?* 8 UCLA Ent. L. Rev. 43 (Fall 2000).

has been somehow registered by others. By providing an attractive alternative to formal court proceedings, and with its global reach and fast turnaround time, those wishing to use the service can pay approximately $1250 (USD) per domain name and have a decision within approximately 45 days. Although the UDRP appears to be a quick an easy method to alleviate disputes in cyberspace, two recent studies suggest that the whole procedure is biased in favor of complainant based trademark holders in a concerted effort to "drive up business" for a specific arbitration provider.[119] Currently there are four arbitration providers from which the complainant can choose from to handle their dispute.[120] According to the most recent study, ninety percent of complainants rationally choose the two providers (WIPO and NAF) that feature panelists (those who actually decide cases) who render the most favorable pro-complainant decisions.[121] Trademark owner complainants can also "forum shop," selecting those providers in which they can receive a favorable result. It is the nature of this complainant-friendly "forum shopping" process that has recently stirred criticism among the Internet Community and questioned the legitimacy of the entire UDRP process. It is this forum shopping for pro-complainant providers, which has led the Canadian based, eResolution, to leave the entire dispute resolution business altogether.[122]

119. Milton Mueller, *Rough Justice: An Analysis of ICANN's Uniform Dispute Resolution Policy* <http://dcc.syr.edu/roughjustice.htm> (Nov. 2000); Geist, *supra* n. 60; *see also* Michael Geist, *How Bias Besets Domain Cases* <http://news.globetechnology.com/servlet/GAMArticleHTMLTemplate?tf=globetechnology/TGAM/NewsFullStory.html&cf=globetechnology/tech-config-neutral&slug=TWGEISY&date=20010823> (Aug. 23, 2001).

120. The current list of arbitration providers includes: (1) the CPR Institute for Dispute Resolution (United States); (2) Asian Domain Name Dispute Resolution Centre (Hong Kong & Beijing); (3) The National Arbitration Forum (United States) and (4) The World Intellectual Property Organization (Switzerland). Mueller, *supra* n. 119.

121. Geist, *supra* n. 119.

122. One commentator has suggested that the markedly lower complainant success rate at eResolution might be reason for the decline in their business and their eventual demise. Scott Donahey, *The UDRP: Fundamentally Fair, But Far From Perfect*, Electronic Commerce & Law Reports, Vol. 6., No. 34 <http://www.tzmm.com/frames/fartics.htm> (Aug. 29, 2001).

VI
Conclusion

ICANN's effective control over the entire DNS, through its affiliation with the DoC, should be cause for great trepidation amongst the Internet community. This paper has attempted to illustrate how, through the legitimization of DNR, ICANN has created a for-profit DNR enterprise burgeoning into industries that directly and indirectly have profited through ICANN's decision making process. At present, DNR is a flourishing business, a market that the former administrator of domain names, NSI, was attempting to penetrate before the DoC abruptly took its authority away. With a single entity controlling the maintenance and infrastructure of the entire Internet addressing system, it is no wonder that there is an uneasiness settling in amongst the Internet community. One of those concerns is ICANN's persistence of "rolling-out" additional TLDs (i.e., "biz" and ".info") by bowing either to government or commercial pressures in the face of surmounting trademark disputes. Although plausible attempts have been made to alleviate disputes through the UDRP and the creation of protective measures for trademark holders prior to the implementation of new TLDs, these mechanisms alone cannot be considered a panacea in alleviating the problems associated with DNR when trademark disputes arise.[123] What was required was a DNS based on priority DNR by individual country codes (".ca") as opposed to gTLDs.[124] The purpose of this scheme would be to satisfy trademark owner concerns, since DNR would be based on a country-by-country basis similar to that of trademark registration.[125] As this proposal is too late be implemented, what is now required is a concerted effort by ICANN *and* world governments to collectively work together, with the assistance of the WIPO, to further study whether additional domain names are required in cyberspace, instead of succumbing to further commercial

123. For example, a University of Minnesota study suggests that 25 percent of the 50,000 ".info" domain names that were offered for pre-registration may have been fraudulently obtained through registrations that circumvented eligibility requirements. *See* Robert A. Connor, *Study of over 11,000 .info Sunrise Registrations Analyzes Violations of Trademark Submission Rules* <http://www.domebase.com/study.htm> (Aug. 27, 2001). Nonetheless the vulnerability and confusion of taking protective measures by the implementation of such complex procedures appear to not be as effective as ICANN or Afilias had planned. *Id.*

124. Katyal, *supra* n. 20.

125. *Id.*

interests.[126] If left unchecked, the control over the DNS will be seen as an autocratic assumption of power within the Internet community, rather than the result of engagement of global democratic discourse.

126. In late 2001, a special committee was set up by the Intellectual Property Constituency, one of seven constituencies of the Domain Name Supporting Organization of ICANN, to deal with policy issues surrounding the management of the DNS.